

Service Retirement

General Information

Retirement benefits are available to covered employees of the state, university system and political subdivisions. Retirement coverage is mandatory for all state and certain university employees and for some political subdivisions. Political subdivisions may contract with MPERA to provide retirement for their employees. Current law provides for nine retirement systems or plans including the Volunteer Firefighters' Compensation Act. MPERA manages eight of the systems, and the ninth, the Teachers' Retirement System, is managed separately.

The four types of retirement are: service, early, involuntary and disability.

All systems have at least one type of retirement and some have as many as four. The four types of retirement are: service, early, involuntary and disability. In some systems, four options are available for each type of retirement. All systems provide some type of death payments for the member's beneficiaries. Eligibility varies with each system. Members who want more information about retirement should contact MPERA.

Estimates of Benefits

A member should ask for estimates three to six months before the planned retirement date.

Retirement law is complex and estimates calculated by anyone outside MPERA may not be correct and are not valid. A member who plans to retire should ask MPERA for an estimate of their retirement benefits three to six months before the planned retirement date. For example, a member planning to retire on July 1 should make the request between January and March. To avoid any delay of the first benefit payment, a member should ask for an estimate **at least** one month before the retirement date. The factors used in an estimate change with time, and the estimate may not be accurate after six months.

A request for an estimate of benefits must be in writing and include:

1. Member's full name
2. Social security number
3. Mailing address
4. Date of birth
5. Contingent Annuitant's name
6. Contingent Annuitant's birth date
7. Planned date of retirement*

To prepare an estimate, MPERA will use data on file and the date the member plans to retire.* MPERA will provide an estimate for each type of monthly benefit available in the member's system. Once completed, MPERA will mail the estimates with a two-part form titled *Important Information Regarding Retirement*. Prospective retirees should carefully read the form because it provides details about retirement. Each member must sign the form before returning to MPERA.

Employer Certification of Final Salary

*A member's last day
of "work" may not be
the last day of
"employment."*

Members must also tell MPERA if taxes or insurance premiums are to be withheld. After completing the form, part one must be sent to MPERA, and the member should keep part two as a reference. Based on the member's selections, MPERA will send a retirement application and any other forms the member will need. To insure the first benefit is paid on time, the member should complete and return all forms without delay.

After receiving a completed application, MPERA will send the employer a *Certification of Final Salary* form. Employers must verify the termination date and final salary. This data is used in calculating the member's retirement benefit. Employers must complete and return the form to MPERA within 30 days after the member terminated employment, or within 30 days of receipt of the form (if the member terminated at an earlier date). A retiree will initially receive a benefit based on the estimated monthly benefit for a period no longer than three months. The final retirement benefit is based upon the employer's certification of final salary. If the final salary details are not timely received, the retiree's benefit may be stopped.

The *Final Salary* form must specify details through the last day of the member's employment. A member's last day of "work" may not be the last day of "employment". For example, if a member worked until March 10 and used vacation or sick leave until March 31, then the last day of employment is March 31. The employer must certify the number of hours of regular, overtime, vacation, and sick leave. Total hours must match total payment for the reported period. (In other words, the total hours times the rate must equal the total payment.)

Each retirement system has its own definition of final salary or compensation. Because of the differences, each system needs a separate *Certification of Final Salary* form. The Final Salary Section of each retirement system chapter contains a sample *Certification of Final Salary* form and instructions for that specific system. Questions about this form should be referred to MPERA.

Medical Insurance

A retired employee may be eligible to continue coverage under the former employer's group health insurance plan. Using the appropriate form, retirees may authorize MPERA to deduct the monthly premium from their monthly benefit. Figure 7 at the end of this chapter is an example of the form retirees must complete to authorize MPERA to deduct the premiums. MPERA will deduct the premiums and remit the premiums to the employer. The former employer must send all details about the health plan to MPERA **with** the deduction form.

Premium Change

MPERA does not monitor the rates of any insurance plan but offers withholding as a service to retirees. MPERA will refer all retirees with questions about coverage to the former employer. All agencies are responsible for notifying MPERA if the premiums change. When the premiums change, copy the *Monthly Insurance Premium Withholding List* (Figure 5) MPERA sent you for the previous month and note the rate changes as follows:

1. Draw a line through the current monthly amount for each retiree's premium you are changing.
2. Clearly print the new amount **next** to the old amount.

Sign, date, and add your phone number to the list and send to MPERA. If the change arrives by the 15th of the current month, MPERA will change the deduction for the next month. Please **DO NOT** send changes to our office more than 30 days before the effective date. Figure 5 at the end of this chapter is a sample printout with examples of changes.

Deduction Authorization

To authorize premium deductions from retirement checks, retirees from agencies other than the State must obtain a *Authorization for Deduction of Health Insurance Premiums* form from MPERA. For an example of the form (Figure 6) see the end of this chapter. Instructions for completing the form are on page 4. Both the employer and the retiree must complete the form. If the form is received by MPERA by the 15th of the month, MPERA will deduct the premium from the next month's benefit. For example, to deduct the November premiums, MPERA must receive the form by October 15. The retiree must pay the premiums directly to their former employer until MPERA can deduct them from the monthly benefit.

NOTE: For State agencies, the Personnel Division supplies the withholding form titled *Retiree Election Form*. State agencies may request the form and instructions by contacting the Personnel Division at (406) 444-3947.

General Requirements

Completing the Premium Authorization Form

To Be Completed by the Retiree or Recipient

1. Retiree or Recipient Name
2. Social Security Number
3. Date of Birth
4. Date of Retirement
5. Mailing Address
6. Signature and Date - the retiree **must sign** and date the form

To Be Completed by the Employer

7. Employer name and Number
8. Employer Representative
9. Group Insurance Name
10. Policy Number
11. Monthly Premium Amount (The net benefit after deducting the insurance premium must be at least \$5.00. If the monthly benefit is less than \$5.00, the retiree must pay the monthly premium directly to the employer.)
12. Insurance checks made payable to: Check the appropriate box
13. Last month the retiree must pay the premium to the employer
14. Signature of Employer Representative
15. E-mail address of Employer Representative (if applicable)
16. Date Signed
17. Phone # of Employer Representative

Income Tax Withholding

The MPERA offers the withholding service to retirees but only at the retiree's request.

Most retirement benefits are subject to federal and state income tax. The IRS does not require withholding from a retiree's benefit but may require the retiree to pay quarterly estimated taxes. MPERA offers the withholding service to retirees but only at the retiree's request.

A retiree may change or cancel withholding anytime. The Withholding Certificate (Figure 7) can be downloaded from the MPERA website here. **They should not use a W4 or W4P.**

Taxes will not be withheld until MPERA receives a completed form. In January, MPERA will send all retirees a distribution form (Federal Form 1099-R) which is similar to a W2 form. The 1099-R will list:

- the gross benefits the retiree received during the calendar year,
- the taxable amount, and
- any taxes withheld.

Retirees will need this information to file their income tax forms.

General Requirements

TO: All Public Employers
FROM: Donna L. Coman, Retiree Data Base Manager
DATE: March 31, 2008
SUBJECT: Deduction of Health Insurance Premiums

PREMIUM DEDUCTION FORMS

A retired public employee is eligible to continue coverage in a public employer's group health insurance plan. The monthly insurance premium may be withheld from the retiree's monthly retirement benefit.

The Montana Public Employee Retirement Administration (MPERA) does not monitor any insurance plan but offers a deduction withholding service. Retirees must address all questions concerning coverage to you, the former employer, including the authorization for withholding.

Both the former employer **and** the retiree must complete the *Authorization for Deduction of Health Insurance Premiums* form. The former employer must forward the authorization to the MPERA before the 15th of the month. (Example: November premiums -- the application must be in the MPERA office prior to October 15th.)

RATE CHANGES

- Rate changes must be made on a photocopy of the *Monthly Insurance Premium Withholding List* provided by the MPERA.
- Indicate the appropriate changes, provide a contact phone number, sign and date the report and return the report to the MPERA office.
- Reports may be returned by mail or faxed to (406) 444-5428
- Changes must be received before the 15th of each month.
- **DO NOT** send change adjustments to MPERA more than 30 days prior to the date of the change.

If your mailing address on the envelope is incorrect, notify the MPERA **in writing**.

Health Insurance Deduction Memo

General Requirements

REPORT NO. RP05539.1
PRINTED 12:08:16

STATE OF MONTANA - MONTANA PERA
INSURANCE PREMIUM CHANGE WORKSHEET

REPORT DATE 11/06/2007
PAGE NO. 1

RETIREMENT SYSTEM: 01
AGENCY: 999
CARRIER: COMPANY NAME

AGENCY: County
ADDRESS LN1: PO DRAWER H
LN2:
LN3:
CITY: SOMEWHERE
STATE: MT ZIP 59000

RET NBR	MEMBER NAME	SOC SEC NBR	GRP PLN CD	NEW	PREMIUM	INS
R123456	MORTENSON, VIGGO L	XXX-XX-0001	202-01			CNCLD
R876543	BEAN, SEAN M	XXX-XX-0002	202-01			
R234567	TYLER, LIV J	XXX-XX-0003	202-01			
R345678	ASTON, SEAN P	XXX-XX-0004	202-01			
R456789	WINSLET, KATHERINE R	XXX-XX-0005	202-01			
R567890	JACKSON, PETER O	XXX-XX-0006	202-01			
R678901	SHORE, HOWARD B	XXX-XX-0007	202-01			
GROUP PLAN TOTALS		NUMBER OF MEMBERS	7	TOTAL PREMIUM	1087.80	

CARRIER TOTAL PREMIUM 1087.40
AGENCY TOTALS NUMBER OF MEMBERS 7 TOTAL PREMIUM 1087.40
SYSTEM TOTALS NUMBER OF MEMBERS 7 TOTAL PREMIUM 1087.40

Figure 5
Insurance Premium Change Worksheet

Figure 6 Authorization for Deduction of Health Insurance Premiums



MONTANA PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION
 100 N PARK AVE STE 200 ~ PO BOX 200131
 HELENA MT 59620-0131
 (406) 444-3154 or toll free (877) 275-7372

AUTHORIZATION FOR DEDUCTION OF HEALTH INSURANCE PREMIUMS

Monthly health insurance premiums must be paid in advance. No grace periods or exceptions are allowed. Premium deductions may be started at any time. You are responsible to pay premiums from the time you retire until the premiums are deducted from your retirement benefit. Contact your clerk to verify which months you must self-pay your premiums.

Authorization forms and deduction changes must be initiated through your former employer.

TO BE COMPLETED BY THE RETIREE OR RECIPIENT (Please Print)

Retiree / Recipient Name _____

Social Security Number* _____

Date of Birth _____

Date of Retirement _____

Mailing Address _____

City State Zip Code _____

I have elected to continue health insurance through my former employer. I authorize the MPERA to deduct from my retirement benefit the premiums necessary for this coverage, including any future increases or decreases in the premium amount. This authorization remains in effect until I cancel or change insurance coverage.

Signature of Retiree or Recipient _____

Date _____

*For tax purposes 26 USC § 6401A and 6109

TO BE COMPLETED BY THE EMPLOYER (Please Print)

Employer Name & Number _____

Employer Representative _____

Group Insurance Name _____

Policy Number _____

Monthly Premium Amount \$ _____

Insurance checks made payable to: ☐ Agency ☐ Insurance Company (Check one)

Premiums have been paid to employing agency for coverage through the month of _____.

Signature of Employer Representative _____

E-mail address _____

Date _____

Phone Number _____

MPERA USE ONLY:

Retirement Number _____

Agency Number _____

Carrier Code _____

Plan Code _____

Date Processed _____

General Requirements

Figure 7 Withholding Certificate

MONTANA PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION
100 North Park Avenue, Suite 200 ~ PO BOX 200131
HELENA MT 59620-0131
(406) 444-3154 or (877) 275-7372



WITHHOLDING CERTIFICATE

Please print or type

Name _____

Address _____ Social Security No. _____
(For tax purposes 26 USC § 6401A and 6109)

City, State & Zip _____ Telephone No. _____

☐ Check here if this is a change of address.

Federal income tax withholding - choose <u>one</u> of the following options													
<input type="checkbox"/>	1	Withhold the following amount from my monthly benefit.	\$ _____										
		Begin deductions on _____											
<input type="checkbox"/>	2	Withhold federal income tax based on marital status and the number of exemptions I specified.	<table border="1"><tr><td>Married</td><td></td></tr><tr><td>Single</td><td></td></tr><tr><td>Married but use single rate</td><td></td></tr><tr><td>Number of exemptions</td><td></td></tr><tr><td>Plus an additional amount</td><td>\$ _____</td></tr></table>	Married		Single		Married but use single rate		Number of exemptions		Plus an additional amount	\$ _____
Married													
Single													
Married but use single rate													
Number of exemptions													
Plus an additional amount	\$ _____												
		Begin deductions on _____											
<input type="checkbox"/>	3	Do not withhold federal tax from my monthly benefit.											

Montana state income tax withholding - choose <u>one</u> of the following options							
<input type="checkbox"/>	1	Withhold the following amount from my monthly benefit.	\$ _____				
		Begin deductions on _____					
<input type="checkbox"/>	2	Withhold Montana state income tax based on the number of exemptions I specified.	<table border="1"><tr><td>Number of exemptions</td><td></td></tr><tr><td>Plus an additional amount</td><td>\$ _____</td></tr></table>	Number of exemptions		Plus an additional amount	\$ _____
Number of exemptions							
Plus an additional amount	\$ _____						
		Begin deductions on _____					
<input type="checkbox"/>	3	Do not withhold Montana tax from my monthly benefit.					

Signature _____ Date _____

MPERA USE ONLY	
Retirement No.	_____
Date processed	_____

Disability Retirement

Disability retirement benefits may be available to a member who becomes disabled. Disabled means the member cannot do the essential elements of the member's job even with reasonable accommodation. A disability may be either physical or mental, but must be permanent or of an extended and uncertain period. The disability does not need to be duty related, but it must occur while the member is in active service. All retirement systems administered by MPERA have some type of disability benefit. Some systems have different benefits for duty and non duty related disability. Also, eligibility and the level of benefits vary from system to system.

A member who wants to apply for disability must contact MPERA. MPERA will send the member a packet that includes:

- an application,
- an estimate of benefits,
- an *Employers Job Duty Questionnaire*, and
- other forms the member may need.

Employers and members should refer any questions they have about disability to MPERA. If the disability prevents the member from applying, another person or the employer may apply for the member.

One form included with the member's packet is the *Employers Job Duty-Questionnaire*. The member's immediate supervisor or personnel officer must complete and return this form directly to MPERA. The employer must define the essential elements of the member's job and provide a position description. Employers must also explain any reasonable accommodations that were or can be made and their effectiveness. The Board must receive all requested material, including the questionnaire, before considering a request for disability retirement.

NOTE: Members are not required to terminate employment prior to applying for disability benefits but must terminate employment prior to receiving benefit payments. Termination of employment is defined in statute under section 19-2-303 (47).

Employers and members should refer any questions they have about disability to MPERA.